ANNUAL REPORT 2009

Pacific National Exhibition

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THE ANNUAL SUMMER FAIR AT THE PNE WAS A HUGE SUCCESS AND, FOR THE FIRST TIME, THE PNE RECEIVED A FEDERAL FUNDING GRANT DESIGNED TO SUPPORT WORLD-CLASS TOURISM EVENTS

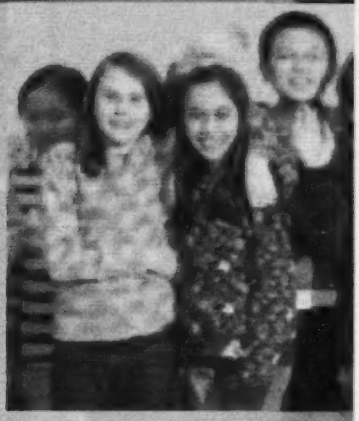
THIS PAST YEAR WAS ONE OF GREAT ACHIEVEMENTS AND OF GREAT PREPARATION AT THE PNE.

We started 2009 by hosting the ISU Four Continents Figure Skating Championships in the Pacific Coliseum and went on to cheer for the Vancouver Giants as they finished their season with a strong seven-game playoff run. Playland opened in April and, despite the economic recession felt across North America, fared better than most summer attractions. The 2009 Fair at the PNE was an outstanding success. Enhanced programming and entertainment resulted in stronger spending and increased attendance over the previous year. Year-round facility rentals kept the park animated throughout the year with a diverse range of concerts, sporting events, cultural shows, family events, consumer shows and festivals. By fall, an improved Fright Nights experience was thrilling guests and while the event's attendance was adversely affected by rain, Fright Nights still produced higher net revenues than in 2008. As the year ended, the PNE team was diligently working to ensure all facilities and operations were ready for the upcoming 2010 Olympic Winter Games and for the biggest celebration in this organization's history, our 100th Anniversary.

Overall, the global recession did impact aspects of the PNE business, but the diverse nature of the 2009 event mix allowed the PNE to weather economic and market shifts, resulting in facility rentals exceeding revenue projections for the year. This helped to balance the financial results in Playland where, although attendance was close to projection, higher than expected ride maintenance costs had a notable effect on net revenues. The annual summer Fair at the PNE was a huge success and, for the first time, the PNE received a federal funding grant designed to support world-class tourism events. This addition of $1.39 million to the Fair operating budget resulted in enhanced entertainment, improved programming and new exhibits, which helped to push gross revenues above budget despite less

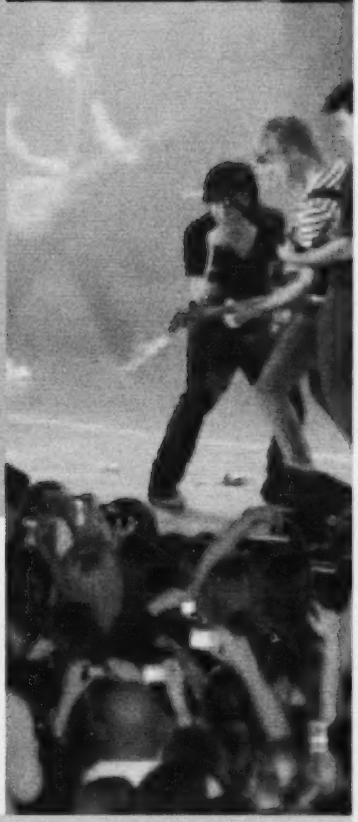
than desirable weather and a recession. The overall net effect was that although net revenues were lower than projected, through mitigation and prudent management, the PNE was able to generate a positive bottom line for 2009.

The PNE achieved many great successes this year, and it is through the passion and creativity of the staff and management that this organization will launch into 2010 ready to celebrate a century of providing fun family entertainment for British Columbians. And it is through very hard work that the PNE will be ready to impress the world as the official venue of figure skating and short track speed skating during the 2010 Olympic Winter Games. The PNE team should be very proud of these accomplishments, and we would like to take this opportunity to thank all of the dedicated and hard-working staff who continue to go above and beyond, year after year, to make this great company so successful.



We would also like to thank the Board of Directors for their many hours of service and dedication to the PNE. Together, we look forward to realizing the vision of this organization and continuing our legacy of providing world-class family entertainment that encourages use of this vibrant urban public park and welcomes guests to celebrate Vancouver's heritage, culture and diversity. Though our business-minded and community-minded philosophy, the PNE will continue to make this a viable organization that benefits Greater Vancouver as well as British Columbia, both economically and culturally, well into the future.

Please join us as we welcome the world to the PNE in 2010 to our centennial anniversary celebrations and as the official venue of figure skating and short track speed skating for the 2010 Olympic Winter Games.



Raymond Louie
Chair, Board of Directors

Michael McDaniel
President and
Chief Executive Officer

AFTER 99 YEARS AT HASTINGS PARK, THE PNE IS PROUD TO REMAIN THE EPICENTRE FOR EVENTS THAT ENTERTAIN AND SHAPE THE EXPERIENCE OF OUR CITY AND RESIDENTS

AT THE PACIFIC NATIONAL EXHIBITION, THE MANAGEMENT TEAM OFTEN SMILES AT BEING ASKED "SO WHAT DO YOU DO FOR THE REST OF THE YEAR?" WELL, LET US TELL YOU!

Every year, in addition to hosting the annual summer Fair at the PNE, the longest-running and best-attended event in British Columbia, the PNE thrills over 300,000 guests at Playland Amusement Park and hosts millions of guests at concerts, sporting events, community festivals and cultural activities. Throughout the year, the team remains busy producing events and operating and managing the Hastings Park facilities, which include the Pacific Coliseum, the Agrodome, the Garden Auditorium, the Forum, Rollerland, the Barns, and 114 acres of gardens and parkland. In addition to hosting a diverse range of events on-site, the PNE also maintains and cares for the gardens and grounds and actively encourages public access to, and use of, the beautiful Hastings Park site throughout the year for walking, jogging, family picnics, riding a bike or walking the dog.

After 99 years at Hastings Park, the PNE is proud to remain the epicentre for events that entertain and shape the experience of our city and residents. We thrive on bringing a diverse range of celebrations to the community and proudly set the standard for family entertainment in BC. The ongoing success of events held on-site reinforces our long-standing tradition of being Vancouver's best place to gather and celebrate.

2009 was another year of many proud achievements for the PNE, which is a non-profit registered charity owned by the City of Vancouver. It was also a year of great preparation as we set the stage to welcome the world in 2010 for our 100th Anniversary celebrations and to open our doors as the official venue for figure skating and short track speed skating during the 2010 Olympic Winter Games.

The PNE is committed to enriching the quality of life at Hastings Park by providing a wide range of family entertainment and events that invite our guests to celebrate Vancouver's heritage, culture and diverse communities within a vibrant urban public park. We embrace our tradition as Vancouver's favourite place to celebrate and proudly serve as the hub of social, community and cultural activities in Vancouver.

The PNE continues to work to achieve its mission through an underlying set of core values that impact every aspect of our commitment to our staff and the guests we serve. These values are:

- Strive for excellence, always
- Remain industry leaders by providing the best entertainment value for our guests in a clean, safe and fun environment
- Build on our history and tradition while proactively creating our future
- Treat all partners, employees and guests with integrity, fairness and respect
- Stay committed to the growth and sustainability of the organization and the Hastings Park site

WE EMBRACE OUR TRADITION AS VANCOUVER'S FAVOURITE PLACE TO CELEBRATE AND PROUDLY SERVE AS THE HUB OF SOCIAL, COMMUNITY AND CULTURAL ACTIVITIES IN VANCOUVER

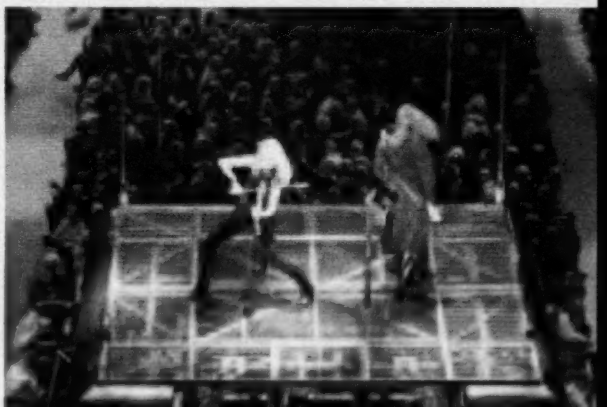
THE FAIR AT THE PNE SHOWCASED SOME OUTSTANDING NEW ENTERTAINMENT AND EXCEEDED BUDGETED GROSS REVENUES

AS THE PNE HAS DONE FOR 99 YEARS, WE CONTINUED TO PROVIDE GUESTS WITH A DIVERSE RANGE OF EVENTS, CELEBRATIONS AND FUN-FILLED MEMORIES THROUGHOUT 2009.

Highlights of the year included a strong year-round events portfolio full of concerts, sporting events and cultural activities and a revamped and improved Fright Nights experience, as well as an additional $1.39 million investment in the Fair to enhance programming and to support ongoing preparations for the biggest year in PNE history.

Event highlights included the Pacific Coliseum playing host to the 2009 ISU Four Continents Figure Skating Championships, a strong Vancouver Giants season, and concerts by artists such as Gurdas Maan, the Trans-Siberian Orchestra and Tiësto. Other special events hosted on-site included the live theatre production Bollywood Wedding, all-night dance parties, an Ismaili festival, several industry trade and consumer shows, a hugely successful Disney on Ice show, and over 52 film shoots. Throughout the year, the public park was widely enjoyed by the local and surrounding communities.

Attendance and revenues varied between activity streams. Playland had solid attendance but both gross revenues and net income were lower than expected. Year-round events exceeded budget for both gross revenues and net income. The Fair at the PNE showcased some outstanding new entertainment and exceeded budgeted gross revenues; however, net revenues were slightly down. Strong events throughout the year and prudent contingency planning allowed the PNE to maintain a positive net financial position for the year.



YMPUS

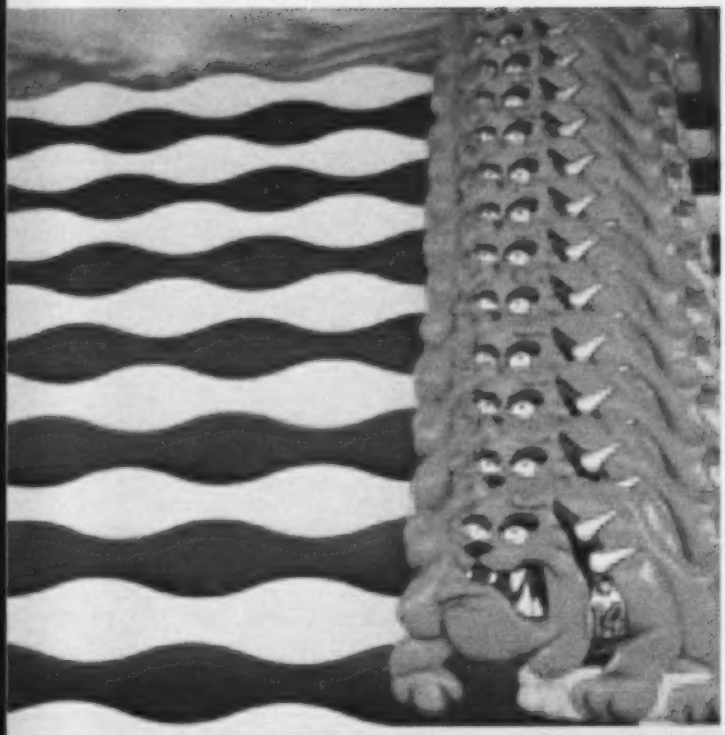
PLAYLAND AMUSEMENT PARK

AS A REGIONAL AMUSEMENT PARK WITH A TEEN DEMOGRAPHIC FOCUS, OUR GUESTS RETURN YEAR AFTER YEAR SO TO KEEP THEM ENGAGED, THE EXPERIENCE MUST REMAIN FRESH

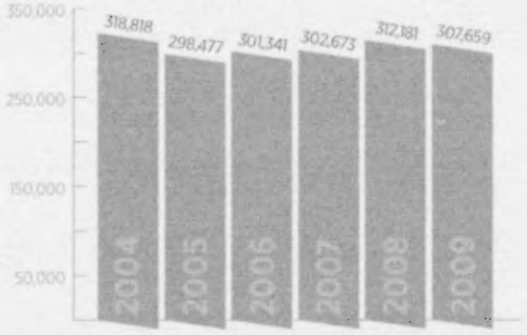
PLAYLAND WAS IN FULL SWING FROM APRIL 25 THROUGH SEPTEMBER 27, 2009, WITH A SEASON CONSISTING OF 97 OPERATING DAYS, THREE MORE DAYS THAN IN 2008.

During that time, the park played host to 307,659 guests or 4,522 fewer guests than the previous year. See Figure 1 for six-year attendance trend. The primary impact to attendance was the reduced number of large corporate parties held on-site in 2009 as a result of the economic recession felt across the globe. Despite a 1% decrease in overall attendance, Playland still had a very strong season and fared better than most summer tourist attractions who felt significant impacts to attendance and entertainment spending. While there were no new ride or attraction investments in 2009, both the haunted house and arcade did receive upgrades in an effort to stay fresh for our regional client base. Highlights of the 2009 season included:

- Playland saw a lower than average attendance, but fared better than what was seen by other summer attractions in the region. Very good weather throughout the summer also helped to shelter *Playland from more dramatic economic impacts.*
- The Amusement Park Science and Physics program generated 24,964 visits by primary and secondary school students to study the "science of fun" at Playland. This was a 26% increase in program participation over 2008, which resulted from an added curriculum package for Grade 10 students and the addition of fall program dates.
- The Birthday Party program in Playland expanded to include a new Pizza Pizza program and the addition of a second location to facilitate more groups.
- Corporate VIP events in Playland were down from 2008 as a result of the economic crisis and perceptions about large company expenditures. This is not anticipated to be a permanent impact. Although corporate VIP events slowed during 2009, other group sales activity increased.
- Gross revenues from Playland operations reached $11.13 million, down 8% from $12.16 million in 2008 due to decreased attendance and reduced on-site spending as a result of the economic recession. See Figure 2 for six-year trend.



Playland Attendance *Figure 1*

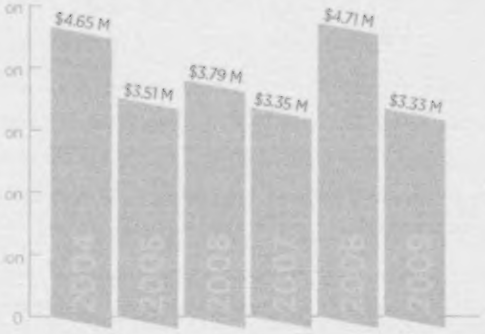


Playland Gross Revenue *Figure 2*

- Operating surplus was $3.33 million for 2009, down 22% from $4.28 in 2008 due to decreased spending on-site and higher than anticipated ride maintenance costs for the season. See Figure 3 for six-year trend.

While attendance and revenues in the park were slightly down in 2009, many aspects of the season must be regarded as great successes. Compared to many other summer attractions, Playland fared very well economically. This is despite the fact that there has not been significant capital investment in the thrill ride mix for several years. As a regional amusement park with a teen demographic focus, our guests return year after year so to keep them engaged, the experience must remain fresh. Continued focus on the elements that contribute to Playland success—such as capital investment in attractions to keep the experience fresh, as well as a focus on leveraging technology, group sales, off-site ticketing, site appearance, guest services, retaining a strong operational team and providing safe, fun family attractions—will continue to keep Playland at the forefront of success for years to come.

Playland Net Contribution *Figure 3*



MORE RIDES WERE ADDED TO THE FOOTPRINT AND, TO RELIEVE LONG LINES AND GUEST WAIT TIMES, THE CAPACITY OF THE HAUNTED HOUSES WAS MORE THAN DOUBLED

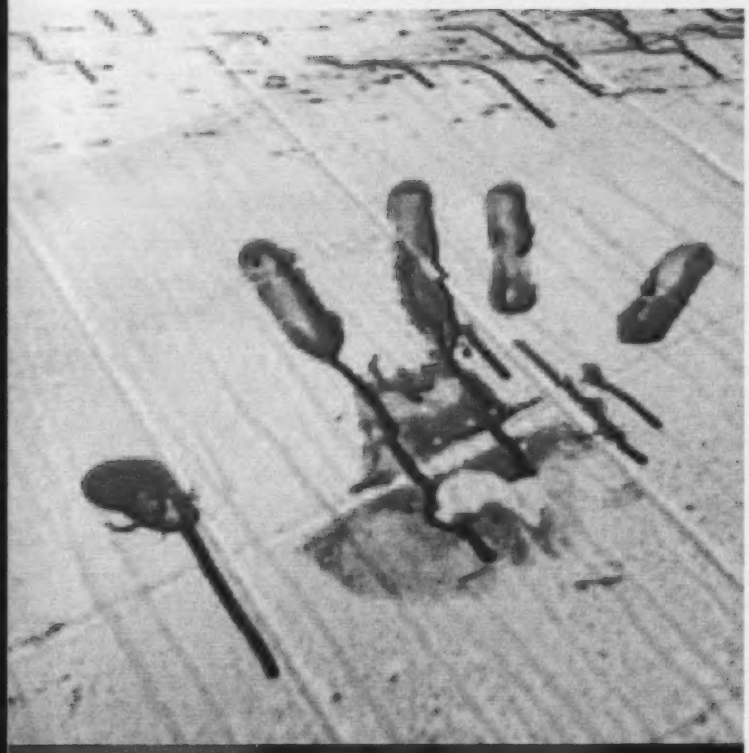
FRIGHT NIGHTS AT PLAYLAND

EACH YEAR, AS THE SUN SETS ON THE SUMMER PLAYLAND SEASON, PNE TEAMS TRANSFORM THE PARK INTO THE SCARY AND EXCITING HALLOWEEN EXPERIENCE CALLED FRIGHT NIGHTS.

After seven seasons, this event continues to thrill guests and solidify its place as Vancouver's 'must do' event for teens and adults during the Halloween season. In 2009, significant investments were made in the event, helping to take the guest experience to an even more frightening height. More rides were added to the footprint and, to relieve long lines and guest wait times, the capacity of the haunted houses was more than doubled. Ticketing was restructured to help manage high weekend traffic and the overall quality of the attractions, shows and roaming cast members was notably improved to provide a greatly enhanced experience.

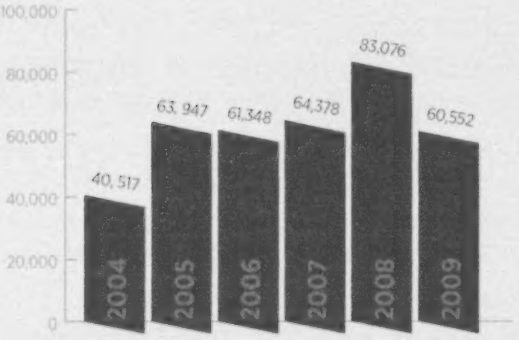
In 2009, the park came to life with creepy décor, haunted houses, rides and live actors for 16 consecutive nights between October 16th and 31st. Highlights of the Fright Nights season included:

- The 2008 haunted houses were replaced with four totally new houses, each with more than double the guest capacity. The PNE also partnered with a new company to improve haunted décor and to improve the type, style and quantity of scary features within each house and throughout the park. This was a huge success—guest feedback on the quality of the experience was phenomenally positive.
- Three additional rides were added to the Fright Nights footprint, improving the diversity of attractions available for guests to experience.



- Weather impacted attendance in 2009 quite dramatically with 8.5 days of significant rain as opposed to 4 days of light rain in 2008. As a result, attendance was down from the record high of 2008 but Fright Nights still welcomed 60,552 guests over its 16 day run. See Figure 4 for six-year attendance trend.
- Gross revenues for 2009 were $1.79 million, resulting in a net contribution of $860,198. Although attendance was down in 2009, net contribution was significantly higher. See Figures 5 and 6 for six-year trends.
- In 2009, the Fright Nights ticketing strategy was further refined to manage high attendance levels. Tickets were removed from off-site retailers and were made available online only, through pne.ca. As well, the weekday and weekend ticket strategy was altered, requiring guests to purchase tickets for specific nights. This allowed a tighter control over the attendance on individual nights, the ability to cut off ticket sales for any given night, and the ability to sell out the most popular nights, which meant guests had to purchase tickets in advance.

Fright Nights Attendance *Figure 4*



Fright Nights Gross Revenue *Figure 5*

Fright Nights Net Contribution *Figure 6*

THE FAIR AT THE PNE

THE MAGNITUDE OF THE FAIR WAS ENHANCED THROUGH A UNIQUE FEDERAL FUNDING OPPORTUNITY CALLED THE MARQUEE TOURISM EVENTS PROGRAM (MTEP)

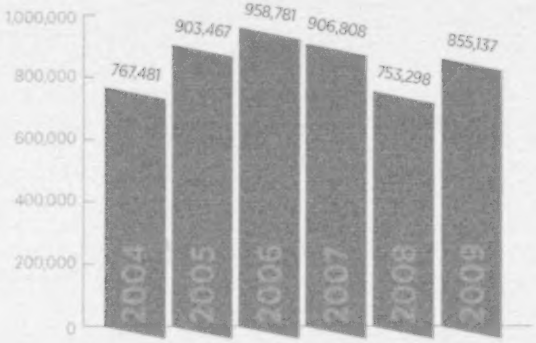
THE SUMMER OF 2009 BROUGHT WITH IT THE 99TH ANNUAL FAIR AT THE PNE, THE BELOVED END-OF-SUMMER TRADITION FOR MILLIONS OF BRITISH COLUMBIANS.

The Fair, which is the largest event in BC, offers a range of shows, exhibits, demonstrations, rides, games and food, as well as a vast array of family entertainment for all ages. This year's Fair was held August 22nd through September 7th and focused on celebrating the countdown to the PNE's 100th Anniversary in 2010. The magnitude of the Fair was enhanced through a unique federal funding opportunity called the Marquee Tourism Events Program (MTEP), to which the PNE applied. 2009 was the first year of this program, and while the PNE has always been financially self-sufficient, the MTEP program was designed as part of Canada's economic impact plan to help support world-class tourism events through the economic recession. As a result of that program, the PNE received $1.39 million in federal funding to enhance programming and entertainment as well as to support key marketing initiatives. As a result, the Fair was another great success, and guest experiences and feedback were outstanding. The funding allowed for the introduction of some entertaining new programs and the enhancement of existing ones. For the early days of the Fair, weather was on the PNE's side. However, the event unfortunately received five days of rain that fell primarily on the busiest final weekend of the Fair. This certainly had an impact on overall Fair attendance and finances but did not dampen the celebratory spirit of the 99th annual Fair at the PNE. Other highlights of the 2009 Fair included:

- An outstanding Summer Night Concert series, which was taken to new heights with the addition of MTEP federal funding to enhance the lineup. Acts included well-known artists like the Gypsy Kings, Chris Isaak, En Vogue, Rick Springfield, Tom Cochrane with Red Rider, Randy Bachman, and Disney star Mitchel Musso from *Hannah Montana*.

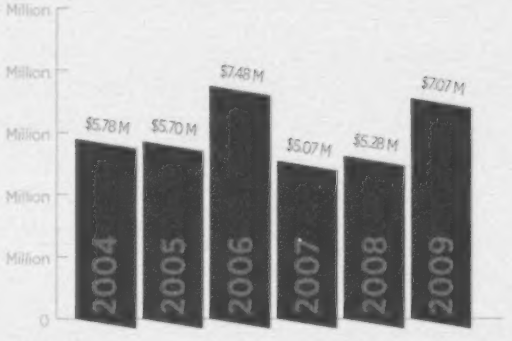
- The Canadian debut of Container Art, an urban, adaptive art installation featuring sculptures, paintings and works from the local artscape. The exhibit included 32 shipping containers and eight art installations, as well as light and sound to entice the senses. This program, which was made possible through MTEP funding, received significant media attention, huge guest accolades, and was voted the 2009 Best New Industry Idea by the Canadian Association of Fairs and Exhibitions (CAFE).
- MTEP funding also supported the addition or expansion of many other Fair programs in 2009. New programs included the premiere of KABOOM!, a nightly pyro-musical spectacular celebrating the countdown to the PNE's 100th Anniversary. The PNE was also able to secure a Hockey Fan Fest exhibit to celebrate Canada's favourite sport, and a new sustainability display called "Green Scene". MTEP also allowed the PNE to launch the Kidz Discovery Farm, a farm-to-fork hands-on educational agriculture exhibit for children.
- With MTEP funding, the PNE was able to expand several programs, including adding performers and shows to the Street Stars lineup, increasing the number of competitors in the International Sand Sculpture Competition,

Fair Attendance *Figure 7*



Fair Gross Revenue *Figure 8*

Fair Net Contribution *Figure 9*



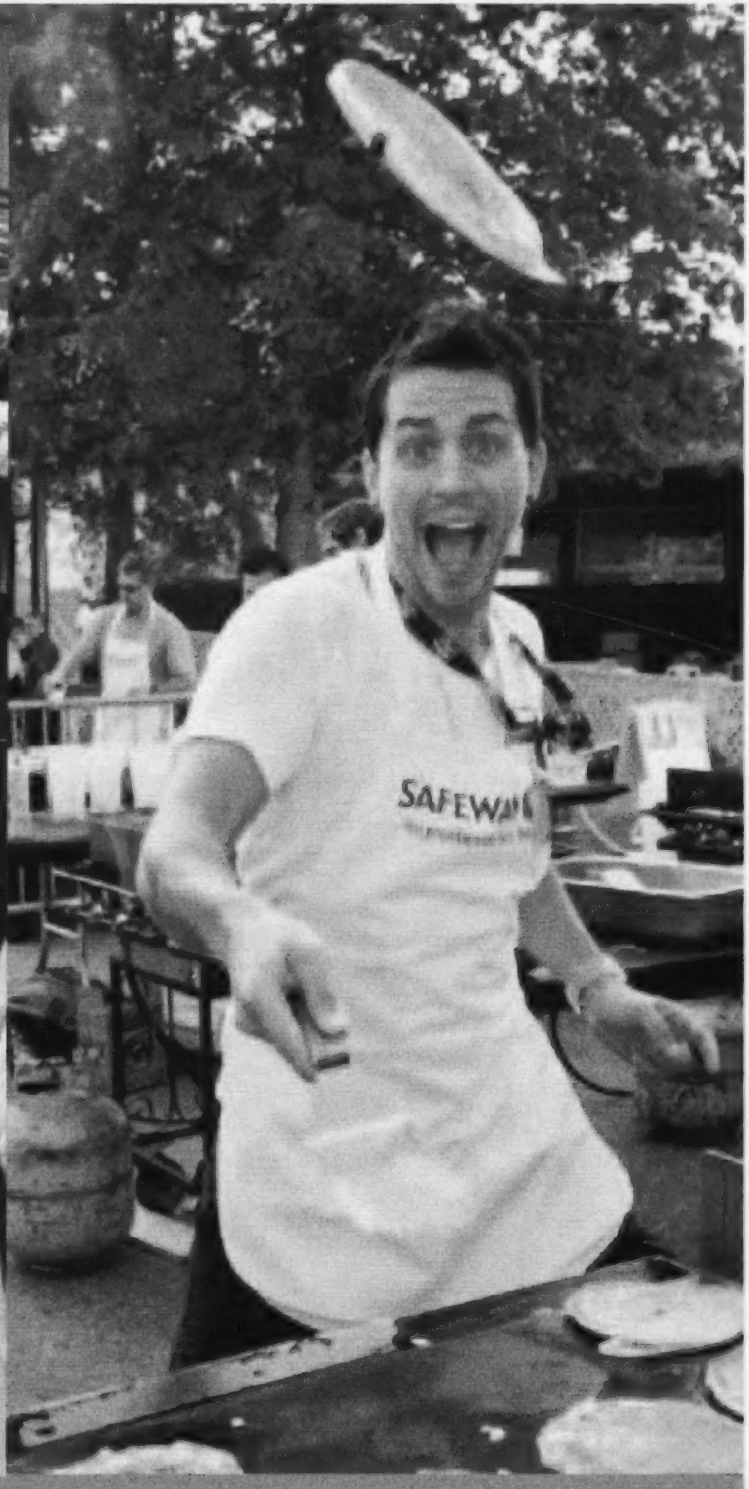
A 2009 EVENT HIGHLIGHTS

adding additional structures and interactive elements to the Canstruction art exhibit, and enhancing the evening's After Dark show in Spirit Plaza with more performers and the addition of live music each night.

- Additional new entertainment outside of the MTEP funding included the Celtic Legends Irish Dance show, On the Edge motorsport production, KC's Concerts, a new lineup of headliner children's acts to thrill the little ones, a Studio Furniture Exhibit by artists from the East Side Culture Crawl, a BC Sports Hall of Fame display featuring the top 10 sport moments at the PNE over the last 10 decades, and the return of the RCMP Musical Ride.
- Of course, the traditional guest favourites remained part of the mix. What is a day at the Fair without Superdogs, Dal Richards, Farm Country exhibits, the West Coast Logger Show and the daily on-site parade?
- The Fair continued its Opening Day tradition of providing free gate admission from 9 am until noon, resulting in another blockbuster opening day crowd of over 80,000 guests.
- Despite the economy being in recession, 855,137 visitors came out to celebrate the 2009 Fair, a 13.5% increase over 2008. Had it not been for five days of rain falling primarily over the final weekend, our traditionally busiest attendance days, the attendance at the 2009 Fair would have been even more impressive. Strong programming, anticipation of the 100th Anniversary celebrations and MTEP funding all helped to contribute to the success of the 2009 Fair. Please see Figure 7 for six-year attendance trend.
- Gross revenues were very strong at $25.82 million in 2009, up $3.73 million over 2008. Increased attendance as well as increased on-site spending by guests resulted in a net operating surplus of $7.07 million in 2009 versus $5.28 in 2008, an increase of $1.79 million or 34% over the previous year. Please see Figures 8 and 9 for six-year trends in gross revenues and net contributions for the Fair.
- The 2009 Fair also continued its long-standing tradition of working with a number of charity partners to promote a range of local causes. Opening day of the Fair included a by-donation pancake breakfast in support of the Canada Safeway Foundation, and the Canstruction exhibit was a partnership with the Greater Vancouver Food Bank Society to raise food and money donations to support its efforts in the local community. The Fair's annual agriculture auction raised over $35,000 for the BC Youth in Agriculture Foundation, and over $6,000 was raised on-site for Raise-a-Reader during its August 28th Fair activation

Overall, the 2009 Fair was a great success by all accounts and was limited only by inclement weather during the final long weekend. Both gross and net revenues were up over 2008, and attendance and on-site spending were up as well. Investments in programming, MTEP funding support, and anticipation of our 100th anniversary celebrations in 2010 all helped to make the 2009 Fair truly one to remember.

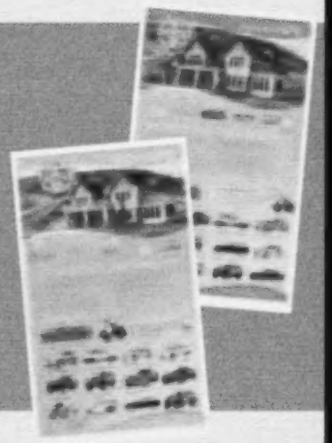
Kidz
Discovery
Farm


SAFEWAY

PNE PRIZE HOME LOTTERY PROGRAM

REVENUES FROM THE LOTTERY PROGRAM HELP TO SUPPORT A VARIETY OF NON-REVENUE-PRODUCING PROGRAMS AT THE PNE.

THERE ARE FEW SOUNDS MORE RECOGNIZABLE ON THE PNE FAIRGROUNDS THAN "WIN A HOUSE... WIN A CAR!" AND IN 2009, WE CELEBRATED THE 75TH ANNIVERSARY OF THIS GREAT TRADITION.



The PNE Prize Home Lottery is BC's original and still most affordable home lottery program, and certainly the most unique. Where else do you see a beautiful home built on the Fair ground for 17 days of tours, and then dismantled and shipped to a fabulous new location for the lottery winner? Only at the PNE!

There were several new innovations built into the 75th anniversary prize package. The location of the home was moved to a beautiful new lakeview setting in Kirschner Mountain, Kelowna, and many new sustainable features were built into the 2009 home, compliments of our partners Terasen Gas and Home Depot. The 2009 home was a 3,000-square-foot craftsman-style home built by Britco Structures with wraparound decks for enjoying the view and with all the essentials for entertaining. The grand prize home came fully furnished, thanks to Lane Home Furnishings, and included $2,500 in groceries from MarketPlace IGA and an outdoor living package from Home Depot and Coast Spas, as well as a fully equipped fitness area compliments of Fitness Town. Additional draw prizes included 13 luxury vehicles from the Jim Pattison Auto Group. New environmentally friendly prizes included two electric scooters and a Vancity enviro Visa preloaded with $10,000.

With these amazing features and the strength of 75 years of tradition, the 2009 Prize Home Lottery program was a huge success. Revenues from the lottery program help to support a variety of non-revenue-producing programs at the PNE, including the 4-H festival agricultural programming, the multicultural and community stage, the Miracle Mile Athlete Bursary, and a large number of other community programs. All prize draws were held September 8th. Highlights of the 2009 lottery program included:

- Total retail value of lottery prizes for 2009 was over $1.87 million—$280,000 more than the total 2008 lottery package.
- The 2009 lottery included three early bird

draws. The first was for a luxury trip for two to the Dominican Republic, with seven nights at a five-star resort, compliments of Transat Holidays. The second early bird prize was an eight-night trip for two through the Canadian Rockies, compliments of Rocky Mountaineer. The third early bird prize was an elite-class trip for two to Bali including seven nights at a five-star resort, compliments of EVA Air and Silk Holidays.

- Sustainable elements of the 2009 prize home included an extremely energy-efficient design with natural gas appliances, energy-efficient windows, and a hydronic heating and cooling system with in-floor radiant and forced air heating and air conditioning. Solar thermal panels were integrated to provide all the required hot water with 50% less energy.
- The new location for the home in Kelowna proved to be very popular and helped to drive record breaking ticket sales for 2009.
- A total of 1,425,075 tickets were purchased and entered in the draw.
- 2009 ticket sales resulted in gross revenues of $5.32 million for the lottery. Figure 10 provides a summary of PNE lottery gross revenues since 2004.

PNE Lottery Gross Revenue *Figure 10*

THE USE OF THESE FACILITIES ALLOWS THE PNE TO REMAIN FLEXIBLE ENOUGH TO RESPOND TO CHANGING MARKET CONDITIONS AND TO CONTINUE TO EVOLVE

YEAR-ROUND FACILITY SALES

CONCERTS, SPORTS, FESTIVALS AND MULTICULTURAL EVENTS— THE PERFECT BLEND OF ACTIVITY.

The PNE has always been synonymous with Playland and the annual summer Fair. Throughout the year, however, the PNE remains very busy hosting a multitude of other events. This less well-known but very dynamic aspect of the PNE business involves the management and operation of six buildings on the Hastings Park site: the Pacific Coliseum, Rollerland, the Garden Auditorium, the Forum, the Agrodome and the Livestock building. The rental use of these facilities allows the PNE to bring a wide range of events and entertainment to the site, including local, national and international concert productions, sporting events, festivals, community and cultural events, consumer shows, trade shows and film shoots. This landscape of events is ever-evolving and the use of these facilities allows the PNE to remain flexible enough to respond to changing market conditions and to continue to evolve and bring events to the site that reflect the diverse interests of our community.

The key to the PNE's long-term adaptability within its year-round event portfolio has always been its ability to withstand fluctuations and volatility within this business stream from year to year. There are a number of ways the PNE does this, including developing close relationships with event partners and promoters, remaining current on industry trends, and working to anticipate market shifts within these industries. The diversity of the event portfolio allows the PNE to weather the ups and down of currency fluctuations and shifting economic conditions, helping to ensure that the site remains busy and active with events for the community to enjoy year-round.

A number of factors made 2009 challenging for the PNE. Many facilities were booked long term by the Vancouver Organizing Committee of the 2010 Olympic Winter Games (VANOC) in order to prepare for 2010. As well, several PNE facilities were unavailable for use due to

upgrades being performed to get them ready for use as official venues and operating centres for the 2010 Olympic Winter Games. Nonetheless, it was a successful year. Highlights of the 2009 year-round events portfolio are as follows:

Sporting Events

The PNE is very proud to be at the centre of local amateur sport as well as the venue of choice for many professional sporting events. Events hosted on-site are diverse, and like so much else that the PNE does, these sporting events meet the broad range of interests throughout the community. From hockey to community ice time, skating shows to basketball, Soccer Jam to international sport competition, the PNE is a key home for sport in BC. And the past couple years have taken the PNE's profile to a new level. As the Pacific Coliseum prepares to welcome skaters from around the world as the official host venue for figure skating and short track speed skating for the 2010 Olympic Winter Games, many international events have been hosted on-site and all eyes have been on this venue. Highlights of sporting activities held at the PNE throughout 2009 include:

- The year launched to international fanfare with the 2009 ISU Four Continents Figure Skating Championships. This competition was held from February 4 through February 8, 2009 and brought skaters from around the world for practice and competition in the Pacific Coliseum. The event received international accolades and gave skaters the opportunity to experience the venue where they would compete during the 2010 Olympic Winter Games.
- From June 21st to July 5th and again in September, short track speed skating training camps were held in the Pacific Coliseum and, in August of 2009, the venue played host to the Speed Skating Canada short track team as they held trials to choose their 2010 Winter

Olympic team. For those 10 days, the best short track speed skaters in Canada filled the Coliseum with Olympic hopes and dreams.

- The Pacific Coliseum is also home to the Vancouver Giants Junior Hockey franchise. In 2009, they had a solid season with 42 regular season home games and a strong playoff run of seven games. While attendance was a bit down for the season, the Coliseum saw higher attendance than in 2008, and these games resulted in $3.88 million in gross revenues and a net operating surplus of $926,696 for the season.
- PNE again played host to the Rick Hansen Wheels In Motion Corporate Challenge charity fundraiser and welcomed over 40 corporate teams to the site for this June event.
- BC Boys Basketball, the Provincial Championship Tournament for boys' high school basketball, with a 40-year history of playing at the PNE, hosted 12,396 guests over five days of competition at the Agrodome in 2009.
- The annual Oldtimers' Hockey Challenge game, held on March 24, 2009, remained a crowd favourite.
- The PNE also proudly hosted over 1,800 students from 10 local schools in the surrounding community to participate in an annual Terry Fox run.
- In 2009, the PNE provided 952.75 hours of community ice time which was utilized by 16 different groups. The decreased availability of community ice dates over previous years was simply a reflection of fewer avails due to venue planning and preparation for 2010 Olympic Winter Games. The PNE did however, increase its hours on dates the venue was available to try and accommodate the ice shortage. It is anticipated that ice time will increase again post 2010.

- Other sporting events held on-site included the MoreSports Soccer Jam and a variety of ice rentals.

Concerts

- Despite limited date availability in the Pacific Coliseum, the PNE's key concert venue, and no availability in the Forum, the PNE's secondary concert venue, eight concerts were held at PNE in 2009. These were smaller shows overall but included notable artists such as Gurdas Maan, Death Cab for Cutie, Tiësto and The Trans-Siberian Orchestra.
- The PNE achieved $984,000 in gross revenue from concert activity in 2009 and $297,764 in net contribution.
- While the impact of the global economic recession began to improve, the availability of concert dates at the PNE were challenging due to Olympic preparations on-site. However, the upgraded facilities will leave the PNE well positioned in 2010 and beyond, when facilities will once again be available for concert activity.
- In total, 39,353 guests attended concerts at the PNE in 2009. In addition to those listed above, concerts included Three Days Grace, Snoop Dogg, Rise Against, and Killswitch Engage.

Cultural and Spiritual Events

The PNE continues to be at the epicentre of cultural activity, hosting a dynamic range of events throughout the year. These events provide diversity and a place for all groups to celebrate. Highlights of cultural programming on-site in 2009 included:

- A new addition to the PNE family of events was the introduction of the *Bollywood Wedding* live theatre event held on-site in the

Italian Gardens in July 2009. This event received significant media attention and was entirely sold out for its three-day run of performances. The PNE looks forward to welcoming more events of this type to the site.

- The Gurdas Maan Indo-Canadian concert was a huge success, drawing over 7,700 guests to the Pacific Coliseum in August.
- One Ismaili festival was held on-site in July, utilizing the Pacific Coliseum and the Agrodome. Although more festivals were held in previous years, this was simply due to lack of venue availability in 2009.

Family Events

In 2006, the PNE was voted Best Family Entertainment by Today's Family TV show. We continue to be very proud to host events that provide economical family entertainment. In 2009, these events included:

- The Garden Auditorium remained home to CircusWest, the circus training school formerly known as CirKids. In May, CircusWest hosted their annual show, including the *Avatar Circus Project*, to rave reviews.
- Disney on Ice brought *World of Fantasy* to the Pacific Coliseum in November. The show was an outstanding success, with over 71,809 guests enjoying the show. This was more than double the attendance of 2008. In fact, Disney indicated that Vancouver is now their best-attended venue of the tour. These shows have become such a big success at the Pacific Coliseum that the PNE has been able to sell large corporate hosting opportunities, allowing companies to bring their staff and families to the shows. In 2009, Disney even added an entire extra show to accommodate one of these large corporate functions.
- The Lipizzaner Stallions brought a fun-filled equestrian show to the Agrodome for two dates in July.

Film Activity

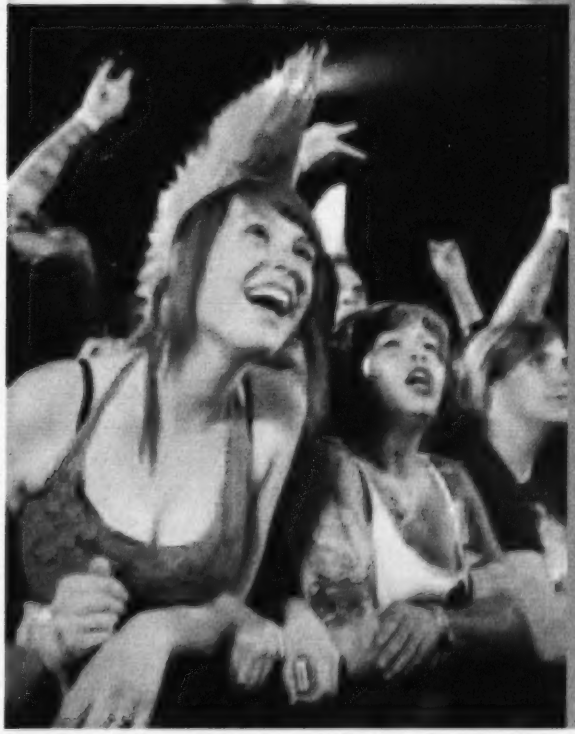
Film activity in 2009 was limited, primarily due to lack of facilities availability on-site. In addition, the economic recession had an impact on the North American film industry and the strong Canadian dollar made filming in Canada less attractive for US film companies. As a result, film revenues were down from 2008. However, the site did play host to a number of film shoots and productions throughout the year. Highlights included:

- Gross film revenues for 2009 were $344,440.
- In 2009, 52 different film companies rented facilities at the PNE for total of 329 days throughout the year. This was a larger number of film companies than in 2008 (33) but the shoots were shorter in duration.
- PNE facilities used for film activity in 2008 included the Agrodome, Rollerland, the Livestock Barns, the Playland amusement park, parking lots and, occasionally, areas of the outside grounds. The Forum, a main facility for film shoots, was in use by VANOC throughout the year.
- During 2009, the PNE continued to build strong relationships in the industry to ensure that the organization is well positioned for 2010 and can capitalize on increased market activity. The PNE remains well poised to respond to market variations.

Dance Parties

The PNE continues to be one of the best locations for promoters to host all-night dance parties in a safe, well-managed venue. In 2009, the PNE hosted three such events, bringing 11,340 guests to the site.

A 2009 EVENT HIGHLIGHTS



With the success of this model on-site and the PNE's experience in hosting these events, the PNE has become a central hub for these parties, especially on special occasions like Halloween. On October 31, 2009, the PNE hosted an all-night dance party in the Pacific Coliseum for over 4,300 guests, a large costume dance party in the Agrodome for over 3,200 guests, and hosted over 6,000 guests in Playland for Fright Nights. Who said there is nothing fun to do on Halloween?

Trade Shows

PNE facilities are also used to host a number of consumer and trade shows throughout the year. In 2009, four industry trade shows and three retail warehouse sales were hosted on-site. These events included:

- Canadian Makeup Show
- Lordco Auto Parts trade show
- Gordon Foods service show
- Motorcycle parts swap meet
- American Apparel clothing sale
- Paradigm Retail sale (clothing) Tommy Hilfiger
- Paradigm Retail sale (shoes) Arnold Churgin

You Would Never Guess...

With the mix of facilities available, the PNE also keeps the site busy with less high profile activities, such as the national Certified Financial Analyst (CFA) exams, the Vancouver Police Department swearing-in ceremonies, corporate Christmas parties, local dances and fundraisers, school reunions or meetings, and even the very important WorkSafeBC Day of Mourning ceremony. The PNE really is a year-round hub of activity—activity that is important and relevant to our communities.

Impact of 2010 Olympic Winter Games on Facilities

In preparation for the 2010 Olympic Winter Games, a number of capital upgrades were undertaken to enhance the facilities at Hastings Park. The PNE will play a significant role in the Games, with the Pacific Coliseum being the official venue for figure skating and short track speed skating. In addition to the many other projects completed

in 2007 and 2008, the Forum was transformed into the VANOC volunteer accreditation centre and received legacy painting and carpet throughout. Rollerland also received legacy painting and carpet as it was prepped to be used as a key media centre. A new sound system was installed in the Pacific Coliseum and the entire concourse of the Pacific Coliseum (upper and lower) was completely repainted.

Throughout 2009, the PNE continued to work with VANOC and the City of Vancouver to facilitate these upgrades. The PNE will continue to benefit from this work, and from the 2010 Olympic legacy, well into the future.

Facility Sales Summary

The facility sales portfolio remained flexible and adaptive despite a shortage of venue availability throughout 2009. Gross event revenues for 2009 were $10.01 million, which was $2.49 million ahead of budget for the year. See Figure 11 for six-year gross revenue trend. The diverse combination of events on-site provided a gross contribution of $3.09 million in 2009. The organization does expect to see fluctuations within this portfolio from year to year as a result of changing economic and industry factors, including the economic recession and US currency exchange, as these have a significant impact on concert tours and film activity in Canada. See Figure 12 for six-year trend on net contribution for year-round facility sales.

Lastly, while the organization has been thrilled to host a series of national and international sporting events in the lead-up to the 2010 Olympic Winter Games, these events are meant to serve as more of a run-through for preparatory operations and logistics for the Games rather than being significant revenue drivers or having profit-driving ticket sales. The success of those sporting events in recent years has positioned the PNE well for 2010 and beyond as we prepare to welcome the world to our facilities as part of the largest international sporting event in the world, the 2010 Olympic Winter Games.

Facility Sales Gross Revenue *Figure 11*

Facility Sales Net Contribution *Figure 12*

SUPPORTING A VIBRANT URBAN PARK

AS ALWAYS, THE PNE REMAINS COMMITTED TO CELEBRATING HASTING PARK AND TO MAKING IT AN OPEN, ACCESSIBLE SPACE FOR THE PUBLIC TO ENJOY

AS WE HAVE FOR 99 YEARS, THE PNE CONTINUES TO PROUDLY SERVE AS THE HEART OF THE HASTINGS PARK SITE.

The PNE team is the primary steward in maintaining the building facilities, trees, statues, benches, park equipment, and the beautifully landscaped public park areas and gardens throughout the grounds. Year-round care of these grounds and facilities is a regular budgeted expense. In fact, each year the PNE invests several million dollars to ensure the park remains well maintained for the community to enjoy year-round. In 2009, $2.92 million was invested in the landscaping and in facility maintenance and operation. To ensure that areas such as the Italian Gardens, Momiji Garden and the Sanctuary remain in their vibrant and naturally intended states, the PNE has specially trained horticultural teams on staff, and the team continues to consult with the City of Vancouver and the Vancouver Park Board to enhance best practices. The PNE works diligently to minimize weather impacts on the park and gardens and remains committed to park protection and enhancement.

As always, the PNE remains committed to celebrating Hastings Park and to making it an open, accessible space for the public to enjoy. Many steps continue to be taken to reduce real and perceived barriers to public enjoyment of the park. In 2009, public washrooms on-site remained open and maintained from dawn to dusk for public use. The PNE also continues to monitor use of on-site equipment such as parking barricades and bumper blocks to minimize barriers to public use and enjoyment of the site, and to work with stakeholders on plans for walking paths and access routes throughout the park site.

The semi-weekly site inspection program, implemented to draw management attention to site issues, continued throughout 2009. This program has resulted in many site appearance improvements and repairs that may have gone unnoticed in parks with a less diligent observation program. Outcomes of this program include ongoing improvements to buildings and facilities, and timely graffiti removal and garbage pickup. The PNE continues to build and improve partnerships with interested community organizations to ensure the long-term sustainability of Hastings Park.

The PNE remains committed to exploring plans that will ensure public access to and enjoyment of the site while also meeting the needs of our millions of annual guests who come to celebrate at various events at the PNE

THE PNE HAS A PROUD AND LONG-STANDING TRADITION OF GIVING BACK, AND ITS EFFORTS EVOLVE TO REFLECT THE CHANGING TIMES AND SOCIAL HISTORY OF VANCOUVER

THE PNE IS VERY PROUD OF THE ROLE IT PLAYS TO SUPPORT ITS LOCAL COMMUNITY AS WELL AS ITS WIDER COMMUNITIES.

Pacific National Exhibition in the community

The focus remains on positively impacting the city-wide and provincial communities through the organization's award-winning community outreach programs. The PNE has a proud and long-standing tradition of giving back, and its efforts evolve to reflect the changing times and social history of Vancouver. In 2009, highlights of the PNE community initiatives included:

- The KC's Kids ticket donation program awarded 1,915 Playland, Fair and Fright Nights tickets to over 85 organizations. This is the second year of this program, with the number of tickets distributed during the year 30% higher than in 2008. As well, more organizations benefited in 2009 than in 2008.
- In addition to KC's Kids, 1,827 tickets were donated to 400 different groups in support of their fundraising events in 2009.
- 2009 was also the fifth year that the PNE has hosted the annual Terry Fox National School Run Day at Empire Field. This year, 1,650 local school children attended from 10 schools.
- Through the Neighbourhood Ticket Program, the PNE provided 275 households with complimentary Playland and Fright Night ticket. To thank our neighbours, tickets for the Fair were provided to 3,000 households and 150 local businesses.
- In the longest standing and most far-reaching PNE community program, the PNE distributed 260,000 complimentary Fair admission tickets to students enrolled in kindergarten through grade seven across BC through the Report Card Fair Ticket Program. This is one of the PNE's legacy community programs; over 15 million admission tickets have been given out since the program started in the 1940s.
- Continued to award a $500 Miracle Mile Athlete Bursary each month throughout 2009 to a BC amateur athlete who demonstrated dedication to sport, leadership and commitment to the community.
- Two very important programs at the PNE are the Neighbourhood Clean-Up crew and the Neighbourhood Bike Patrol. These teams patrol the streets

around the PNE grounds during various events, including the Playland season, the Fair at the PNE, and Fright Nights, picking up garbage and providing a presence for community safety. They were out in full force throughout 2009 and the clean-up crew took over 136 bags of garbage off our neighbourhood streets.

- The Neighbourhood School Outreach Program provided 2,115 tickets to 15 local schools in the Hastings Park area throughout 2009.
- Contributed 450 tickets through the Neighbourhood Group Outreach Program to support organizations such as the Hastings North Business Improvement Association, the Hastings Sunrise Community Policing Centre and Kiwassa House.
- Provided subsidized facility rentals, ticket donations, operational support and ice time to numerous non-profit and community groups.
- The PNE also continued to support a variety of neighbourhood groups, such as Hastings Community Little League, with a place to practice in the off-season and with Playland Passes for 400 players at their season opening ceremonies.

CHARITABLE CONTRIBUTIONS

THE PNE TAKES GREAT PRIDE IN SUPPORTING THE LOCAL AND SURROUNDING COMMUNITIES IN ORDER TO GENEROUSLY GIVE BACK TO OTHER LOCAL CHARITIES DOING WORK TO SUPPORT OUR SHARED COMMUNITIES

THE PNE ITSELF IS A NON-PROFIT REGISTERED CHARITY BUT THE ORGANIZATION REALIZES THAT AFTER 99 YEARS, OUR RESOURCES ARE STRONG AND OUR REACH IS VAST.

With that in mind, the PNE takes great pride in supporting the local and surrounding communities in order to generously give back to other local charities doing work to support our shared communities. Some of the many highlights of the PNE's charitable activities in 2009 are:

- In August, the PNE hosted its annual charity auction in support of the BC Youth in Agriculture Foundation. Over $35,000 was generated for this key charity that is very close to the PNE, as it represents the roots of the PNE, showcasing the best of British Columbia agriculture to the world.
- In June, the PNE hosted the Rick Hansen Wheels in Motion charity event on-site to promote awareness and provide fundraising efforts for spinal cord research.
- Continued the tradition of hosting "Charity Days" during the Fair, where management works with a number of partners to help raise funds on-site. Recipient partners in 2009 included Canstruction, the Greater Vancouver Food Bank Society, Raise-A-Reader and the Canada Safeway Foundation.
- Hosted the 38th annual CKNW Orphans' Fund picnic in Playland, an annual event that brings underprivileged kids to the park for their own private day of fun.
- Staff regularly participate in a monthly workplace Jeans Day to support the BC Children's Hospital Foundation and other local charities of choice.
- Continued the Charity Readerboard Message Program, which provides complimentary space on the electronic readerboard at the corner of Hastings and Renfrew Streets to help local charities raise awareness of important messages and causes. In 2009, 27 organizations used this service at no cost to them, a value of $27,000.
- Donated thousands of Playland and Fair tickets throughout 2009 to over 400 fundraising events benefiting charitable, community, educational, sports and non-profit groups across BC.

In 2009, over $60,000 was raised for charity directly through PNE initiatives. The PNE is proud to play a role in supporting those organizations doing such great work in the community.

SUSTAINABILITY

MARKETING EFFORTS CONTINUE TO MOVE TOWARD MORE WEB-BASED AND EMAIL MARKETING INITIATIVES TO REDUCE PAPER USE.

THE PNE REMAINS COMMITTED TO ACHIEVING SUSTAINABILITY IN ALL ASPECTS OF OUR BUSINESS.

A sustainability committee, reporting directly to the President and CEO, is in place to keep initiatives moving forward. Throughout 2009, initiatives from previous years remained in practice and additional steps were taken to keep the PNE moving forward on its path to sustainability.

Corporate Initiatives

Sustainability initiatives continued through 2009 include:

- The PNE's promotional vehicle, which represents the organization at events throughout the Lower Mainland, is a hybrid.
- The sustainability committee held a company-wide "lights out campaign" and began a battery and cellphone recycling program.
- We integrated organic recycling units in staff rooms to help divert additional waste.
- Throughout the organization, staff continue to recycle paper, bottles, cans, plastics and discarded computer parts. Staff are encouraged to use reusable office supplies, have paper-free meetings, print two-sided as default, turn off computers at night, and use low-energy Energy Star lighting in offices.
- Marketing collateral continues to be printed on recycled paper, and the retail ticketing program uses a recyclable styrene paper product for gift cards, rather than PVC plastic.
- Marketing efforts continue to move toward more web-based and email marketing initiatives to reduce paper use.
- Human Resources utilize direct deposit and epost for payroll, and most recruiting is done online rather than on paper. Old uniforms are donated to charitable organizations such as DeBrand or are reused as rags.
- In the PNE merchandise program, promotional bags are made from 100% recycled cotton, several promotional items are biodegradable corn products, and vegetable ink is used to print graphics on merchandise. Customer bags are made from 100% recycled paper.
- Suppliers are encouraged to provide environmentally preferred "green", recycled and energy-efficient products wherever possible.
- The organization continues to utilize more trees and natural elements in ride and landscape theming throughout the site.

Year Round Event Initiatives

In addition to the energy-efficient initiatives and equipment upgrades reported on in recent years, the following achievements were carried out through 2009:

- In 2009, a beer cup recycling program was introduced into the Pacific Coliseum for all events.
- At the 2009 Fair at the PNE, the sustainability committee launched a new display called the "Green Scene" that highlighted PNE sustainability initiatives. We partnered with electric car owners to display sustainable vehicle models, and old cellphones were collected for recycling.
- A blue bag recycling program for concessionaires and exhibitors was continued during the Fair to encourage them to recycle their bottles, cans, plastics and cardboard. The PNE provided the blue bags and the collection service.
- The Food and Beverage department continues to recycle bottles, cans, plastics, cardboard and grease from concession stands, and uses CFK-approved carry-out containers. As well, kitchen and concession upgrades include low-energy fixtures and energy-efficient appliances. Environmentally friendly cleaning products are used throughout the department.
- In event marketing materials, the PNE regularly promotes the use of public transportation to get to/from the PNE site, and works with TransLink to increase levels of public transportation to the site during high-volume events such as the annual summer Fair.
- Many new sustainable features, compliments of our partners Terasen Gas and Home Depot, were built into the 2009 PNE prize home. These elements included an extremely energy-efficient design with natural gas appliances, energy-efficient windows, and a hydronic heating and cooling system with in-floor radiant and forced air heating and air conditioning. Solar thermal panels were integrated to provide all the required hot water with 50% less energy.
- The PNE's partnership with the Salvation Army's "You CAN Help" recycling initiative continued through October of 2009 with all cans, bottles and plastics collected on-site during events donated to the Salvation Army to be recycled for deposits to help support programs for the underprivileged throughout Vancouver.
- During events, agricultural event dirt is reused, shavings are purchased in bulk and manure is composted, not thrown out. We have also developed an on-site partnership with Compost Canada to educate the public about composting.
- During the Fair, our "Country Store" continues to promote the 100-mile diet concept.

Facilities Initiatives

The technical services department remains focused on ensuring that facilities throughout the grounds continue to receive sustainable and energy-efficient upgrades. Progress in this area includes:

- In 2009, the sustainability committee conducted a waste audit in the Pacific Coliseum.
- The PNE continues to use low-flush toilets and urinals as well as low-water use faucets and high-efficiency lighting in all public washrooms in the Pacific Coliseum and the Forum.
- The Agrodome continues to benefit from the 2008 upgrade of new high-efficiency lighting in the main arena as well as new ballasts to increase lighting efficiency.
- Our technical services departments remains committed to the proper disposal and recycling of batteries, motor oil and containers, hydraulic oils, antifreeze, oil filters, containers and absorbents, aerosol cans, paint, wood, glass, vehicle tires, drywall, concrete and blacktop, steel, aluminum and copper.
- Fluorescent or LED lighting are being used wherever possible throughout the site.
- Leaves, grass clippings and tree trimmings are recycled for composting.
- The tech services team uses electric, propane or natural gas vehicles where possible (Zoom booms, Scissor lifts, Scrubbers, Zambonis, forklifts, electric ice edgers, electric golf carts, etc.) and remains committed to exploring the conversion of other fleet vehicles.

The PNE is very proud of its progress and encourages suppliers, partners, sponsors and staff to continue to bring ideas forward, and remains committed to ongoing sustainability progress.

THE PNE CONTINUES TO BE THE LARGEST EMPLOYER OF YOUTH IN THE PROVINCE, HIRING MORE THAN 2,500 YOUTH EMPLOYEES EACH SUMMER

EACH YEAR, THE PNE EMPLOYS OVER 3,500 STAFF AND PROUDLY PROVIDES 440 FULL-TIME EQUIVALENT JOBS TO PEOPLE LIVING IN THE LOWER MAINLAND.

CELEBRATING THE PNE TEAM

Each year, the PNE employs over 3,500 staff and proudly provides 440 full-time equivalent jobs to people living in the Lower Mainland. More than 50% of the employees who work at the PNE live in the City of Vancouver. The team consists of almost 2,400 Fair-time employees, 300 Playland employees, 700 part-time year-round employees, 117 full-time employees, and 60 management employees. The PNE continues to be the largest employer of youth in the province, hiring more than 2,500 youth employees each summer. We take great pride in providing many of these youth with their first job and with key skills that will help to shape the next generation of leaders.

The success of an organization is often measured by the creativity, passion and dedication of its team and the PNE is no different. For 99 years, it is the people of this organization who have helped shape the PNE into the iconic element of the Vancouver landscape that it is today. Few organizations can boast the longevity that the PNE has. We are proud to have 111 staff with over 25 years of service and nine employees with over 40 years of service. We take great pride in recognizing the commitment and service of our team, and the PNE has a number of annual programs designed to appreciate those who go above and beyond. In 2009, those included the Pride and Spotlight Programs for year-round employees and the Star Program for Fair-time employees. As well, select Fair staff are eligible for the Mytreat Award to recognize exemplary accomplishments during the Fair. All employees and their families are also eligible to apply for an annual PNE scholarship for use at any post-secondary educational institution.

In an effort to support the health and well-being of the team, the PNE provides year-round access to an on-site fitness centre and social club. Many health improvement programs are made available to staff such as stop smoking programs, access to Weight Watchers on-site, weekly yoga classes, running training clinics, and boot camp exercise programs. All of these programs are made available either free of cost or at a reduced rate for employees.

CELEBRATING PNE ACHIEVEMENTS

The PNE pursues excellence in every aspect of what we do and are proud to be recognized as an award winning organization. From entertainment to guest services, and from marketing to human resources, our programs continue to set the industry standard for quality and creativity, and this past year was no different. Throughout 2009, the PNE was honoured in the following ways:

- **The Canadian Association of Fairs and Exhibitions (CAFE)**—The Canadian debut of *Container Art*, the urban contemporary art display showcased at the 2009 Fair, was named Best New Industry Idea at the CAFE national convention.
- **The Advertising & Design Club of Canada**—The Playland advertising campaign of "Candy Floss/Caramel Apple/Snow Cone" won Gold for Transit Advertising.
- **International Festivals & Events Association (IFEA) Pinnacle Awards**—Playland won a Gold award for its TV ad "Snack Bar".
- **International Festivals & Events Association (IFEA) Pinnacle Awards**—Playland won a Bronze award for Best Ad Series for its "Skipping Rope, Paddle Ball & Yo-Yo" campaign.
- **International Festivals & Events Association (IFEA) Pinnacle Awards**—PNE Fair won a Silver Best Event Invitation award for its 2009 President's Premiere invite.
- **International Festivals & Events Association (IFEA) Pinnacle Awards**—Playland won Best Printed Materials for the "Pacific Adventure Golf 2 for 1 Special Offer".
- **Extra Awards**—Playland won Gold for the 2009 "Caramel Apple/Sno Cone" print ads. The third execution of the print campaign, "Cotton Candy", won Silver.
- **Extra Awards**—The Playland print campaign "Caramel Apple/Sno Cone/Cotton Candy" won a Craft Award for Art Direction.
- **Lotus Advertising Awards (AAABC)**—The Playland ad "Paddle Ball" won a Gold in the Best Newspaper Single category and a Silver in Best Outdoor Single category, and the campaign "Yo-Yo/Paddle Ball/Skipping Rope" won Silver awards in the categories of Best Newspaper Campaign and Best Outdoor Campaign.
- **The Crystal Awards (Radio Marketing Bureau)**—The Playland radio spot "The Cure" was a finalist. The rest of the campaign, "Doctor and "Golf", won honourable mentions.
- **International Association of Printing House Craftsmen (IAPHC)**—The PNE Fair Guide won a Silver award.
- **Western Fairs Association (WFA)**—The PNE Fair-time website won first place.
- **Western Fairs Association (WFA)**—*Container Art* won second place in the category of Best New Exhibit Idea.
- **Western Fairs Association (WFA)**—The Fair's Kidz Discovery Farm won a second place award for Best New Featured Exhibit.
- **Western Fairs Association (WFA)**—The Fair's "Green Scene" display won second place in the Sustainability Program category.
- **Western Fairs Association (WFA)**—The PNE's Fright Nights 2009 video won second place in the "Viral Video" category.
- **Western Fairs Association (WFA)**—The 2009 Fair Guide won second place in the category of Pamphlets, Brochures & Direct Mail.

The PNE takes great pride in working to be the best it can be, and these awards highlight the collective achievements of the PNE team.

THE PNE PROUDLY CONTINUES TO GROW AS A VIBRANT AND DYNAMIC ORGANIZATION DEDICATED TO PROVIDING MILLIONS OF VISITORS EACH YEAR WITH FIRST-CLASS CULTURAL, SPORTING AND FAMILY ENTERTAINMENT AS WELL AS ACCESS TO A DIVERSE AND ACTIVE PUBLIC PARK.

PUBLIC CONSULTATION PROCESS

And since taking over ownership of the PNE in January 2004, the City of Vancouver has been driving a Public Consultation Process to help define the future of Hastings Park and the PNE. In 2004, City Council directed City staff to explore and further develop an approach to Hastings Park that would ensure an ongoing role for the annual 17-day summer Fair, for a seasonal amusement park, and for the year-round facility operations on-site, all within the context of "greening" Hastings Park.

This process continued throughout 2009, with regular participation from a steering committee, a key stakeholder group, and public input process, with a final master plan scheduled to be delivered to City Council in 2010. While there are still many details to be determined about the specifics of future operations through the Hastings Park Master Planning Process, the 2004 City Council decision does clearly allow for the continuation of the traditional operations of the annual summer Fair, the Playland Amusement Park, and year-round facility rentals. This has allowed the PNE to plan for the future, and to continue to make strategic investments in the site and its operations that will support its ongoing financial stability. The PNE continued to actively participate in the Public Consultation Process throughout 2009.

YEAR-ROUND FACILITY RENTALS IN 2009 PROVIDED A BALANCED AND DIVERSE ARRAY OF EVENTS, HELPING THE PNE WEATHER THE ECONOMIC RECESSION.

A strong Giants season and the creative use of place and space were key elements of financial success during a time when venue availability was limited due to facility upgrades and preparations for the 2010 Olympic Winter Games. These preparations kept a number of PNE facilities out of circulation for key periods throughout the year. Net contribution of year-round events was $3.09 million for 2009.

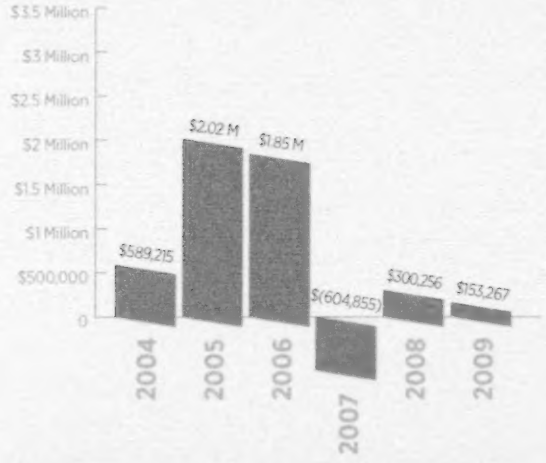
The PNE is also responsible for all facility and park maintenance on-site. In 2009, $2.92 million was invested from the PNE operating budget to maintain facilities and grounds.

The 2009 Fair also had a very strong run surpassing budget expectations for gross revenues. This was at least partly due to federal funding support from Industry Canada and the Marquee Tourism Events Program. This funding investment of $1.39 million into the Fair operating budget helped to enhance programming and entertainment, driving attendance despite downward economic pressure throughout the region and poor weather on the traditionally busiest final weekend of the Fair. The Fair's net contribution was $7.07 million in 2009.

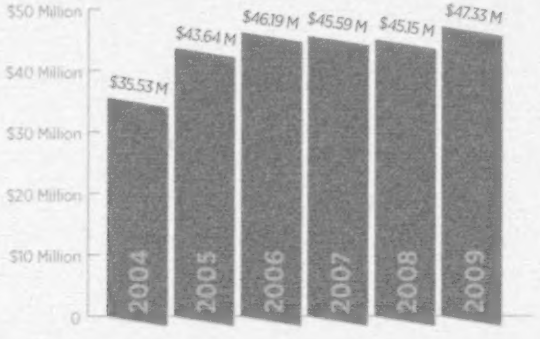
The success of our year-round event mix and of the Fair helped to balance a weaker than usual Playland season. While Playland, financially and attendance-wise, did better than most other summer attractions, attendance was down slightly and some unexpected costs were incurred, resulting in a lower than budgeted net income of $3.33 million in 2009. However, Fright Nights had stronger than expected net income at $860,198 and the overall balance for the year was a positive net contribution of $153,267. While this was lower than budgeted, mitigation and contingency planning allowed the PNE to remain in an overall positive financial position during a year where economic impact could have had much more severe impact on the organization.

Please see the audited financial statements for more detail and please see Figures 13 and 14 for six-year gross revenues and net income trends.

Net Contribution *Figure 13*



Total Gross Revenue *Figure 14*

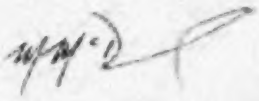


FINANCIAL STATEMENTS

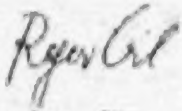
V. REPORT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Pacific National Exhibition Incorporation Act requires the PNE to table an annual report containing information about the organization's performance. PNE management prepares the following financial statements and related information and is responsible for their integrity. The statements were prepared using Canadian Generally Accepted Accounting Principles. The statements include amounts based on management's estimates and judgments. We believe that these statements represent fairly the PNE's current financial position. Management is also responsible for the accuracy and completeness of the information presented in the PNE's annual report. To fulfil this responsibility, management maintains financial and management control systems and practices that provide reasonable assurance the information is accurate and complete.

PNE officials who have provided the information contained in the 2009 annual report have verified its completeness and accuracy. Our independent auditors, KPMG LLP, have audited the financial statements using Canadian Generally Accepted Auditing Standards, to the extent necessary to form an independent opinion on the financial statements prepared by management.



Michael McDaniel
President & Chief Executive Officer



Roger Gil
Vice President, Finance & Corporate Services

2009 BOARD OF DIRECTORS

Mr. James Ridge ..... Deputy City Manager, City of Vancouver, Chair from January 1, 2009 through May 2009
Mr. Raymond Louie ..... City of Vancouver Councilor, Chair from May 2009-current
Ms. Susan Mundick ..... General Manager, Vancouver Park Board, Director from January 1, 2009 through September 2009
Mr. Peter Kuran ..... General Manager, Vancouver Park Board, Director from November 2009-current
Mr. Kevin Ramsay ..... General Manager, Human Resources Services, City of Vancouver, Director from January 1, 2009 through September 2009
Mr. Raj Hundal ..... Vancouver Park Board Chair, Director from May 2009-November 2009
Ms. Patrice Impey ..... General Manager, Financial Services/ CFO, City of Vancouver, Director from May 2009-current
Mr. David McLellan ..... General Manager, Community Services, City of Vancouver, Director from May 2009-current
Mr. Sadhu Johnston ..... Deputy City Manager, City of Vancouver, Director from November 2009-current
Ms. Cheryl Prepchuck ..... CEO, Greater Vancouver Food Bank Society, Director from October 2009-current
Mr. Richard Saunders ..... Workers Advocate, Workers Compensation Board (WCB), Director from October 2009-current
Ms. Nancy Wright ..... Vice President, Marketing, GLOBE Foundation, Director from October 2009-current
Mr. Paul Sihota ..... City of Vancouver Fire and Rescue, Director from October 2009-current
Mr. Peter Legge ..... President and CEO, Canada Wide Media Ltd., Director from October 2009-current

2009 COMMUNITY ADVISORY COMMITTEE

Ms. Stephanie Williamson ..... Community Advisor (representing North Hastings BIA)
Mr. Hakam Bhaloo ..... Community Advisor (representing Leadership Vancouver)
Mr. Rolf Tevely ..... Community Advisor (representing Hastings Community Association)
Vacant ..... Community Advisor (representing Vancouver Economic Development Commission)

COMMUNITY ADVISORY COMMITTEE was discontinued as of September 2009

EXECUTIVE MANAGEMENT COMMITTEE

Mr. Michael McDaniel ..... President and Chief Executive Officer
Mr. Roger Gil ..... Vice President, Finance and Corporate Services
Mr. Michael MacSorley ..... Vice President, Operations
Mr. Peter Male ..... Vice President, Sales
Ms. Shelley Frost ..... Vice President, Marketing
Ms. Stacy Shields ..... Vice President, Human Resources to April 13, 2009 then on maternity leave through December 31, 2009
Mr. Jeff Strickland ..... Acting Vice President, Human Resources April 14, 2009 through December 31, 2009
Ms. Salome Valente ..... Executive Assistant and Corporate Secretary

CORPORATE GOVERNANCE PRACTICES

The Pacific National Exhibition is a non-profit registered charity owned by the City of Vancouver. The company's business affairs are the responsibility of the Board of Directors, a City Council appointed body. The PNE's Board of Directors is committed to ensuring corporate governance practices are open and effective and that the Board is fully accountable and assumes responsibility for the stewardship of the organization. The Board discharges responsibility of day-to-day operations to the President and Chief Executive Officer, who in turn selects and oversees the rest of the management team. The Board encourages management, under the direction of the President and Chief Executive Officer, to make clear and appropriate executive decisions.

KPMG LLP
Chartered Accountants

Metrotower II, Suite 2400-4720 Kingsway
Burnaby BC V5H 4N2 Canada

Telephone (604) 527-3600
Fax (604) 527-3636
Internet www.kpmg.ca

To the Directors of the
Pacific National Exhibition

We have audited the statement of financial position of Pacific National Exhibition ("PNE") as at December 31, 2009 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of PNE's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of PNE as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Pacific National Exhibition Act, we report that, in our opinion, these principles have been applied on a consistent basis.

The financial statements as at and for the year ended December 31, 2008 were audited by another firm of chartered accountants, who expressed an opinion without reservation on those financial statements in their report dated February 27, 2009.

KPMG LLP

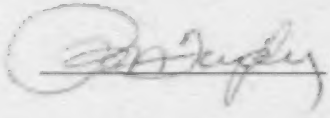
Chartered Accountants
Burnaby, Canada
March 16, 2010

KPMG LLP, a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. KPMG Canada provides services to KPMG LLP.

	2009	2008
ASSETS		
Current		
Cash	$ -	$ 69,433
Accounts Receivable	3,851,470	1,980,091
Inventories (Note 3)	981,839	1,042,393
Prepaid Expenses	817,576	788,410
Assets held for sale	-	-
	5,650,886	3,880,327
Property and equipment (Note 4)	12,799,456	11,133,429
	$18,450,341	**$15,013,756**
LIABILITIES AND NET ASSETS		
Current Liabilities		
Bank Indebtedness (Note 4)	$ 71,792	$ -
Accounts Payable and accrued liabilities	3,084,635	2,841,346
Bank Loans (note 5)	7,113,000	5,314,000
Deferred Revenue	387,927	174,917
Current portion of obligations under capital leases (Note 6)	612,387	727,189
	11,269,740	9,057,452
Deferred contributions (Note 5)	814,663	994,940
Obligations under capital leases (Note 6)	2,067,954	816,648
	14,152,357	10,869,041
Net Assets		
Net assets invested in property and equipment	$ 4,578,222	$ 5,101,461
Unrestricted net deficiency	(280,240)	(956,746)
	4,297,982	4,144,715
	$ 18,450,341	**$ 15,013,756**

Financial Instruments (Note 2)
Pension Plan (Note 7)
Outstanding Lawsuits (Note 8)
Related Party Transactions (Note 9)
Commitment (Note 10)
Approved by the Board of Directors

Director



Director

	2009	2008
REVENUE:		
Events	$ 46,989,795	$ 44,709,201
Amortization of deferred capital contributions	180,277	128,517
Other	155,706	310,531
Total Revenues	47,325,778	45,148,249
EXPENSES:		
Cost of goods sold	3,068,912	3,187,597
General and administrative	22,915,413	21,028,712
Payroll	19,419,116	18,836,342
	45,403,441	43,052,651
EARNINGS BEFORE OTHER EXPENSES	1,922,337	2,095,598
OTHER EXPENSES:		
Amortization	1,455,391	1,372,256
Interest on bank loans	200,574	328,479
Interest on capital leases	113,105	94,607
Total other Expenses	1,769,070	1,795,342
EXCESS OF REVENUE OVER EXPENSES	**$ 153,267**	**$ 300,256**

See accompanying notes to financial statements.

	2009			2008
	Invested in property and equipment	Unrestricted	Total	Total
Net assets, beginning of year	$ 5,101,462	$ (956,746)	$ 4,144,716	$ 3,844,460
Excess (deficiency) of revenue over expenses (note 8)	(1,275,114)	1,428,381	153,267	300,256
Net change in invested in property and equipment (note 8)	751,875	(751,875)	-	-
Balance, end of year	**$ 4,578,223**	**$ (280,240)**	**$ 4,297,983**	**$ 4,144,716**

See accompanying notes to financial statements.

	2009	2008
CASH PROVIDED BY (USED IN):		
OPERATIONS:		
Excess of revenue over expenses	$ 153,267	$ 300,256
Items not involving cash:		
Amortization	1,455,391	1,372,256
Amortization of deferred capital contributions	(180,277)	(128,517)
Net change in non-cash operating working capital	(1,383,692)	23,483
	44,689	1,567,478
INVESTMENTS:		
Purchase of property, plant and equipment	(1,233,039)	(870,280)
FINANCING:		
Increase in bank loans	1,799,000	394,000
Principal payments under capital leases	(751,875)	(843,995)
	1,047,125	(449,995)
Increase (decrease) in cash	(141,225)	247,203
Cash, beginning of year	69,433	(177,770)
CASH, END OF YEAR	**$ (71,792)**	**$ 69,433**
Cash is defined as cash less bank indebtedness.		
Non-cash financing transaction not included in cash flows:		
Capital asset acquisitions through capital lease	$ 1,888,379	$ 1,120,429
Supplementary information:		
Interest paid	200,574	338,479

See accompanying notes to financial statements.

1. NATURE OF OPERATIONS:

The Pacific National Exhibition (the "PNE") is a premier entertainment destination in the province of British Columbia. It has four main activity streams: an annual 17-day fair, Playland amusement park, year-round facilities which are utilized to celebrate a variety of community, social, cultural, ethnic and commercial events, and the care and development of the park. The PNE's venues will also host activities during the upcoming 2010 Olympic Winter Games.

The PNE was established in 1910 and incorporated in 1973 under the Pacific National Exhibition Incorporation Act of the Province of British Columbia.

The mission of the PNE is to enrich the quality of life at Hastings Park, Vancouver, by providing family entertainment that invites its guests to celebrate Vancouver's heritage, culture and diverse communities in a vibrant urban park.

Effective January 1, 2004, the PNE became wholly owned by the City of Vancouver and is an independently operated entity. As a result of its ownership and its registered charity status, PNE is not subject to income taxes.

These financial statements have been prepared on the basis that the PNE is a going concern, which assumes that the PNE will continue to realize its assets and discharge its liabilities in the normal course of operations. As at December 31, 2009 the PNE had an unrestricted net deficiency of $280,240 (2008 - $956,746) and working capital deficiency of $5,618,856 (2008 - $5,177,125). The PNE's ability to continue as a going concern is dependent upon, among other things, achieving profitable operations and continuing support of its parent, the City of Vancouver.

2. SIGNIFICANT ACCOUNTING POLICIES:

(A) INVENTORIES:

Inventory, consisting of stores, plush toys, merchandise and food and beverages, are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. Cost of inventory includes acquisition and all costs incurred to deliver inventory to the PNE's head office, including freight, non-refundable taxes, duties and other landing costs. The PNE periodically reviews its inventory and makes provisions as necessary to appropriately value obsolete or damaged goods. The amount of the provision is equal to the difference between the cost of the inventory and its estimated net realizable value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(B) PROPERTY AND EQUIPMENT:

Property and equipment are recorded at cost less accumulated amortization. Property and equipment are amortized over their estimated useful lives at the following rates and methods:

	ASSET	BASIS RATE
Machinery, furniture and equipment	Declining balance	10—30%
Playland rides and equipment	Straight-line	5—15 years
Playland rides under capital lease	Straight-line	5—15 years

When the property and equipment no longer contributes to the PNE's ability to provide services, its carrying amount is written down to its residual value.

(C) DEFERRED REVENUE:

Advertising revenue for long-term contracts is recognized on a straight-line basis over the term of the related contract. Deferred revenue also comprises deposits for events that are not recognized in revenue until the related event is held.

(D) REVENUE RECOGNITION:

Revenues from the annual fair (the "Fair") are recorded as received (admissions) and as earned (exhibitors and advertisers). The Fair runs from late August to early September. Any exhibitor or advertising fees received for next year's Fair are deferred and will not be recognized until earned during the next year's Fair.

Revenues from Playland amusement park are recognized as received (admissions) and as earned (advertisers).

Revenues from short-term event rental of facilities are recorded upon completion of the event.

Contributions from the City of Vancouver, from senior government, or from other donors are recorded following the deferral method. Contributions are recorded as receivable if the amount can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recorded as revenue when they are deemed receivable. Contributions with a designated purpose are deferred until used for the intended purpose. Contributions to fund property or equipment acquisitions and improvements are deferred and recognized on the same basis as the related property or equipment is amortized.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(E) USE OF ESTIMATES:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses for the reporting period of the statement of operations. Areas involving significant estimation include contingencies and the useful life and amortization rates of property and equipment. Actual results could differ from those estimates.

(F) FINANCIAL INSTRUMENTS:

The PNE accounts for its financial assets and liabilities in accordance with Canadian generally accepted accounting principles.

Financial instruments are classified into one of five categories: held for trading held-to maturity, loans and receivables, available-for-sale financial assets or other financial liabilities.

All financial instruments, including derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: held for trading financial assets are measured at fair value and changes in fair value are recognized in the statement of operations; available-for-sale financial instruments are measured at fair value with changes in fair value recorded as changes in net assets until the investment is derecognized or impaired at which time the amounts would be recorded in the statement of operations. In accordance with Canadian generally accepted accounting principles, the PNE has undertaken the following:

(i) Designated cash as held for trading, being measured at fair value.

(ii) Amounts receivable are classified as loans and receivables, being measured at amortized cost.

(iii) Bank indebtedness, accounts payable and accrued liabilities and bank loans are classified as other financial liabilities, being measured at amortized cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(G) CHANGES IN ACCOUNTING STANDARDS:

(i) Revisions to Not-for-Profit accounting standards:

Effective January 1, 2009, the PNE adopted the amendments to the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 4400, Financial Statement Presentation by Not-for-Profit Organizations, and 4470, Disclosure of Allocated Expenses by Not-for-Profit Organizations. The amendments removed the requirement to disclose net assets invested in capital assets, clarify capital asset recognition criteria and amortization, expand interim financial statement requirements to not-for-profit organizations that prepare interim financial statements, and added a requirement for disclosure of allocated fundraising and general support expenses by not-for-profit organizations, and a requirement to follow Handbook Section 1540, Cash Flow Statements. The application of these amendments did not have any impact on the PNE's financial statements.

(ii) Amendments to Section 1000, Financial Statement Concepts:

Effective January 1, 2009, the PNE adopted the amendments in Section 1000, Financial Statement Concepts. The amendments clarify the relationship between incurring expenditures and creating assets and clarify that items which do not meet the definition of assets or liabilities, are not eligible for recognition. The implementation of the amendments did not have an impact on the financial statements.

(H) FUTURE ACCOUNTING FRAMEWORK:

The PNE is currently classified as a government not-for-profit organization. Under the direction of the Public Sector Accounting Standards Board ("PSAB"), the PNE adheres to the standards for not-for-profit organizations (NPO) in the CICA" Handbook.

PSAB has issued an exposure draft regarding the proposed future framework for government not-for-profit organizations. Specially, PSAB proposes to incorporate into the PSA Handbook, the current NPO Sections (4400 Standards) of the CICA Handbook to deal with areas not currently addressed by the PSAB framework. PSAB has decided not to make any further substantive changes to the Sections at this time. The exposure draft proposes to amend the Introduction so that the PSAB standards will be applicable to all government not-for-profit organizations, for fiscal periods beginning on or after January 1, 2012.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(H) FUTURE ACCOUNTING FRAMEWORK (CONTINUED):

In the interim, the Accounting Standards Board is proposing to carry forward existing accounting standards for NPO into its new Private Enterprise Accounting Handbook. The PNE intends to continue applying the existing NPO standards and is awaiting the finalization of the new standards. Once the new standards are finalized, the PNE will determine the impact to the financial statements.

3. INVENTORIES:

	2009	2008
Stores	$ 265,137	$ 294,325
Plush toys	170,247	178,122
Merchandise	197,281	193,088
Food and beverages	349,174	376,858
	$ 981,839	**$ 1,042,393**

The amount of inventory recognized as an expense during the period is $3,068,912 (2008 - $3,187,597).

4. PROPERTY AND EQUIPMENT:

	COST	ACCUMULATED AMORTIZATION	2009 NET BOOK VALUE	2008 NET BOOK VALUE
Machinery, furniture and equipment	$ 13,747,906	$ 7,538,635	$ 6,209,271	$ 4,469,611
Playland rides and equipment	14,223,976	10,600,709	3,623,267	3,536,832
Playland rides under capital leases	4,019,629	1,119,079	2,900,550	3,126,986
Work in progress	66,368	-	66,368	-
	$ 32,057,879	**$ 19,258,423**	**$ 12,799,456**	**$ 11,133,429**

5. BANK LOANS:

The PNE has a revolving facility with a Canadian chartered bank providing for maximum borrowing of $10.6 million from January 1 to September 7, 2010 and for $12 million for the remainder of the year in a combination of US and Canadian dollars.

The revolving facility bears interest at the bank prime rate and is due on demand. A general security agreement covering all assets and undertakings of the PNE has been provided as collateral for the operating line as well as a guarantee and postponement of claim by the City of Vancouver in the amount of $12 million. In addition, the guarantee by the City of Vancouver includes letters of guarantee outstanding totaling $45,000 (2008 - $45,000).

Included in the bank loans is an amount of $1,270,000 denominated in US dollars (2008 - $60,000). The interest due on this loan is payable in US dollars.

6. DEFERRED CAPITAL CONTRIBUTIONS:

	2009	2008
Balance, beginning of year	$ 994,940	$ 1,123,457
Less amounts amortized to revenue	(180,277)	(128,517)
Balance, end of year	**$ 814,663**	**$ 994,940**

7. OBLIGATIONS UNDER CAPITAL LEASES:

The future minimum lease payments under capital leases are as follows:

Year ending December 31:	
2010	$ 695,189
2011	659,983
2012	659,983
2013	472,619
2014 and thereafter	543,532
	3,031,306
Less amount representing interest	(350,965)
Principal obligation	2,680,341
Less current portion	(612,387)
	$ 2,067,954

7. OBLIGATIONS UNDER CAPITAL LEASES (CONTINUED):

Interest rates on capital leases range from 4.40% - 7.00% annually. The capital leases provide that at the end of the respective lease terms, the PNE is required to either extend the term of the lease, purchase the asset based on a pre-determined option price, or return the asset to the lessor and pay the lessor any shortfall between the fair value of the asset upon return and the pre-determined residual value. The above lease schedule of lease payments assumes that the purchase options are exercised at the end of the lease term.

8. NET ASSETS INVESTED IN PROPERTY AND EQUIPMENT:

(a) Net assets invested in property and equipment is comprised of the following:

	2009	2008
Property and equipment	$ 12,799,456	$ 11,133,429
Amounts financed by capital leases	(2,680,341)	(1,543,837)
Amounts financed by deferred capital contributions (note 6)	(814,663)	(994,940)
Amounts financed by bank loans	(4,726,229)	(3,493,190)
	$ 4,578,223	**$ 5,101,462**

(b) Change in net assets invested in property and equipment is comprised of the following:

	2009	2008
Excess of expenses over revenue:		
Amortization of deferred capital contributions (note 6)	$ 180,277	$ 128,517
Amortization of property and equipment	(1,455,391)	(1,372,256)
	$ (1,275,114)	**$(1,243,739)**
Net change in invested in property and equipment:		
Purchase of property and equipment	$ 3,121,418	$ 1,990,709
Addition of bank loan	(1,233,039)	(394,000)
Increase in capital lease	(1,888,379)	(1,120,429)
Repayment of capital leases	751,875	843,995
	$ 751,875	**$ 1,320,275**

9. PENSION PLAN:

The municipality and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trusteed pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 158,000 active members and approximately 57,000 retired members. Active members include approximately 33,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation as at December 31, 2006 indicated a surplus of $438 million for basic pension benefits. The next valuation will be as at December 31, 2009 with results available in 2010. The actuary does not attribute portions of the surplus to individual employers.

Contributions to the Plan in fiscal 2009 are comprised of:

	2009	2008
Employee portion	$ 623,502	$ 584,201
Employer portion	643,082	601,272
	$ 1,266,584	**$ 1,185,473**

10. COMMITMENTS AND CONTINGENCIES:

(a) Various lawsuits and claims are pending by and against the PNE. The ultimate result of these claims is undeterminable and it is the opinion of management that final determination of these claims will not materially affect the financial position of the PNE. Estimates of costs anticipated to result from claims are accrued where the amount can be reasonably estimated.

Any differences from the estimates or any losses on claims that cannot be estimated will be recorded in the year the settlements occur.

(b) The PNE has entered into construction agreements for 2009 in the amount of $1,028,000

(2008—$1,514,213).

(c) The PNE has not entered into any purchase agreements in 2009 for specialty attractions

(2008—$702,450 USD).

11. RELATED PARTY TRANSACTIONS:

During the year, the PNE paid the following amounts to the City of Vancouver.

	2009	2008
Water billings	$ 281,368	$ 422,626
Policing services	138,258	170,742
Permits and other	25,395	22,224
	$ 445,021	**$ 615,592**

These transactions are in the normal course of operations and are measured at the exchange value being the amount of consideration established and agreed to by the related parties. Included in accounts receivable is $685,818 (2008 - $505,974) due from the City of Vancouver. Included in accounts payable is $35,743 due to the City of Vancouver (2008 - $250,000). The PNE operates on land owned by the City of Vancouver, for which no rent is charged. In lieu of rent, the PNE is required to maintain and upkeep the land.

12. FINANCIAL INSTRUMENTS:

Financial instruments consist of cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, and bank loans. It is management's opinion that the PNE is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

The fair value of cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, and bank loans all approximate their carrying value due to their relatively short maturities.

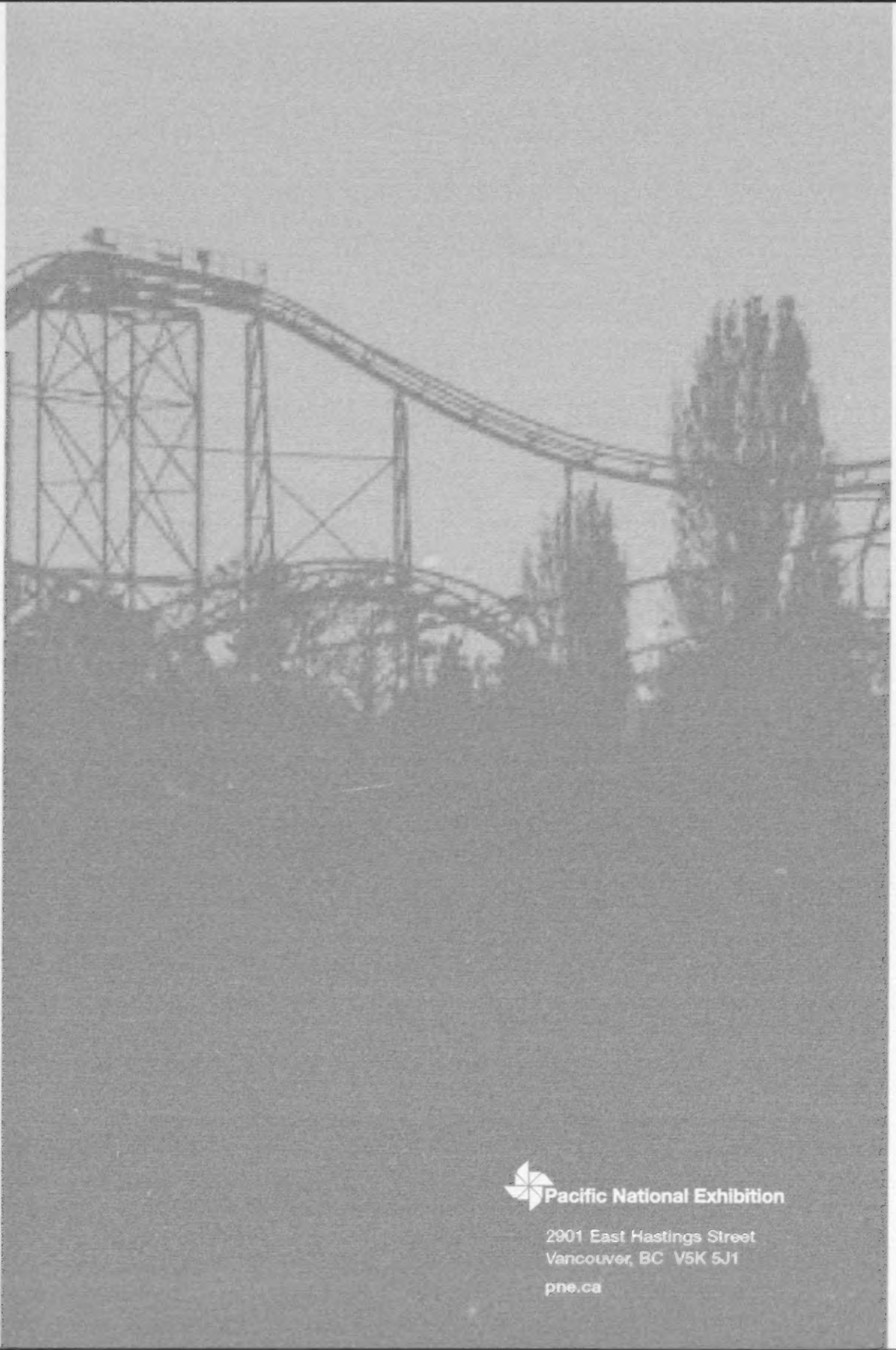
13. CAPITAL DISCLOSURES:

Under CICA Handbook Section 1535, Capital Disclosures, the PNE is required to disclose both qualitative and quantitative information that enables users of the financial statements to evaluate the PNE's objectives, policies, and processes for managing capital. It also includes disclosure regarding what the PNE regards as capital, whether the PNE has complied with any external requirements and in the event of non-compliance, the consequences of not complying with these capital requirements.

The PNE receives its principal source of capital through event revenue. The PNE defines capital to be net assets. The PNE is not subject to any other external capital requirements or restrictions.

14. COMPARATIVE FIGURES:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.



Pacific National Exhibition

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pne.ca